

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6319

BILL NUMBER: SB 60

DATE PREPARED: Feb 26, 2002

BILL AMENDED: Feb 25, 2002

SUBJECT: DROP for Police and Firefighters.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: (Amended) This bill establishes a Deferred Retirement Option Plan (DROP) for members of all police and firefighter pension funds. It provides that the DROP is available on January 1, 2003, and expires on December 31, 2007.

The bill provides that a member is eligible to participate in the DROP if the member may retire and receive an unreduced benefit. It provides that a member who wishes to participate in the DROP must make an irrevocable election and choose a retirement date that is no sooner than 12 months and no later than 36 months after the member enters the DROP. The bill provides that a member in the DROP continues in active service, and both the member and the member's employer continue to make contributions to the applicable fund.

It provides that a member retiring from the DROP receives a monthly benefit plus an additional amount paid either in a lump sum or in installments. The bill provides that if a member exits the DROP for any reason other than retirement on the member's chosen retirement date, the member's or the member's survivors' benefits are calculated as if the member never entered the DROP. It permits a civil taxing unit to exceed the property tax levy limits to pay the additional amount.

The bill also makes certain changes to the "dies in the line of duty" definition for the police and firefighter pension funds established by IC 36-8-8. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: As currently drafted, this proposal is actuarially neutral; there will be no cost to the plan.

Explanation of Local Revenues: (Revised) The bill allows a civil unit to increase property taxes outside the controlled levy to cover the lump-sum DROP payments as police and firefighters exit their DROP period. Note that the DROP lump sum is reduced by any Pension Relief distribution and Public Depository Insurance Funds distribution which also provides pension relief. The bill does not require civil taxing units to pre-fund the DROP benefit.

State Agencies Affected: The Public Employees' Retirement Fund (PERF) as administrators of the 1977 Police Officers' and Firefighters' Disability and Pension Fund.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, actuaries for PERF and the police and fire funds, 576-1508.